

Report of the auditor-general to the Eastern Cape Provincial legislature and the council on the Chris Hani District Municipality

Report on the audit of the consolidated and separate financial statements

Qualified opinion

1. I have audited the consolidated and separate financial statements of the Chris Hani District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2018, and the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate cash flow statement and consolidated and separate statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Chris Hani District Municipality as at 30 June 2018, and the group's financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No.3 of 2017) (DoRA).

Basis for qualified opinion

Receivables from exchange transactions

3. The municipality did not bill all consumers in the financial year under review. As a result, revenue and receivables from exchange transactions as disclosed in the consolidated and separate statement of financial performance, consolidated and separate statement of financial position was understated by R254,9 million (2016-17: R309,4 million), respectively. Notes 24 and 14 to the consolidated and separate financial statements were also understated by the same amount.
4. In addition, sufficient appropriate audit evidence was not available to support receivables and revenue from exchange transactions. This was due to the poor status of the accounting records for revenue and receivables. I was unable to confirm these balances and transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions of R113,4 million (2016-17: R160,4 million) disclosed on the consolidated and separate statement of financial position, service charges included in revenue from exchange transactions of R275 million (2016-17: R223,9 million) disclosed in the consolidated and separate statement of financial performance, gross receivables of R1,3 billion (2016-17: R1,1 billion), the allowance for impairment of R1,2 billion (2016-17: R954,7 million) disclosed in note 14 to the consolidated and separate financial statements and the debt impairment expense of R267,4 million (2016-17: R177,2 million) disclosed in the consolidated and separate statement of financial performance.

5. The municipality did not record in the notes to the consolidated and separate financial statements an analysis by class of the age of financial assets that are past due but not impaired as required by GRAP 104: *Financial instruments*. I was unable to confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts recorded in note 14 to the consolidated and separate financial statements.

Commitments

6. GRAP 17, Property, plant and equipment requires disclosure of contractual commitments for the acquisition of property, plant and equipment. The municipality did not fully comply with this requirement as the manual commitments register prepared was found to have numerous deficiencies in that commitments were included in the commitments register at the incorrect amounts. As a result, commitments of R890,4 million disclosed in note 41 to the consolidated and separate financial statements was understated by R125,3 million (2016-17 R 283,8 million).

Irregular expenditure

7. Sufficient appropriate audit evidence was not available to support irregular expenditure. This was due to the municipality not having adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125(2)(d)(i) of the MFMA. I was unable to obtain evidence required by alternative means. As a result, I was unable to determine whether any adjustments to the irregular expenditure of R1,4 billion (2016-17: R1,2 billion) disclosed in note 49 to the consolidated and separate financial statements were required.

Water distribution losses

8. Section 125(2)(d)(i) of the MFMA requires the notes to the financial statements of a municipality to include particulars of any material losses. Water distribution losses of R119,3 million (2016-17: R110, 7 million) which represents 59% (2016-17: 55%) of the total water distribution losses were disclosed in note 52 to the consolidated and separate financial statements. I was unable to obtain appropriate audit evidence that distribution losses that should have been recorded, were recorded and that distribution losses were recorded at an appropriate amount. This was as a result of the municipality not being able to provide sufficient appropriate audit evidence to support these amounts. I was unable to perform alternative procedures due to a lack of controls over the recording of these losses. Consequently, I was unable to determine whether any adjustments were necessary to the water distribution losses disclosed in note 52.

Context for the opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
10. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the

ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

13. As disclosed in note 44 to the consolidated and separate financial statements, the corresponding figures for 30 June 2017 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Underspending of budget

14. As disclosed in the statement of comparison of budget and actual amounts, the municipality materially underspent the budget by R87,9 million.

Other matter

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure note

16. In terms of section 125(2)(e) of the MFMA, the entity is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting officer for the consolidated and separate financial statements

17. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA and the DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
18. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the Chris Hani District Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

19. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
20. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

21. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPA's) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
22. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
23. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas (KPA's) presented in the annual performance report of the municipality for the year ended 30 June 2018:

Key performance area	Pages in the annual performance report
KPA 2: Basic service delivery and infrastructure development	x – x
KPA 3: Local economic development	x – x

24. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
25. The material findings in respect of the usefulness and reliability of the selected KPA's are as follows:

KPA 2: Basic service delivery and infrastructure development

Usefulness

Indicators were not well defined

26. The source information, evidence and method of calculation for the achievement of the planned indicators in the table below were not clearly defined:

Indicator No	Indicators	Target
SDI 13	% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored	100% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored by 30 June 2018
SDI 14	% compliance of drinking water with SANS 241 monitored	100% compliance of drinking water with SANS 241 monitored by 30 June 2018

Targets were not specific:

27. The planned targets in the table below were not specific in clearly identifying the nature and required level of performance:

Indicator No	Indicators	Target
SDI 2	Number of Water reticulation projects completed	14 water reticulation projects constructed and completed by 30 June 2018
SDI 3	Number of Bulk water supply projects completed	9 Bulk Water Supply Projects constructed and completed by 30 June 2018
SDI 4	Number of water Treatment Works complying with Quality drinking water in accordance with SANS 241	16 Water Treatment Works in compliance with SANS 241 regulation in respect of ECOLI minimum standard (0mg per Litter) by 30 June 2018
SDI 5	Number of water treatment works constructed	3 waste treatment works constructed
SDI 6	Number of households served with safe	Number of households served

	basic sanitation	with safe basic sanitation
SDI 8	Number of Waste Water Treatment works complying with Quality Effluent in accordance with R991	16 Waste Water Treatment Works in compliance with R991 in respect of ECOLI minimum standard (1000mg per Litter) by 30 June 2018
SDI 9	Number of Water Schemes refurbished	10 Water Schemes refurbished by 30 June 2018
SDI 12	No of Human settlements programmes supported	1 Human settlements programme supported in all Local Municipalities (45 emergency houses constructed) by 30 June 2018
SDI 12.1	Percentage response on CHDM support request received	100% response on facility management request received by 30 June 2018
SDI 13	% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored	% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored
SDI 14	% compliance of drinking water with SANS 241 monitored	% compliance of drinking water with SANS 241 monitored
SDI 17.2	Number of illegal dumping sites closed and rehabilitated in local municipalities	6 illegal dumping sites cleared and rehabilitated in local municipalities by 30 June 2018
SDI 17.2.1	Number of waste sites inspected in line with NEM Waste Act of 2008 & National Health Act of 2003	14 waste sites inspected in line with NEM Waste Act of 2008 & National Health Act of 2003 by 30 June 2018

Targets were not measurable

28. The planned targets for the indicators in the table below were not measurable:

Indicator No	Indicators	Target
SDI 13	% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored	100% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored by 30 June 2018
SDI 14	% compliance of drinking water with SANS 241 monitored	100% compliance of drinking water with SANS 241 monitored by 30 June 2018

Reliability

SDI 18.2: percentage response to disaster management incidents

29. The achievement for target SDI 18.2: percentage response to disaster management incidents reported in the annual performance report was 100% response to disaster management incidents reported. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 56%.

Various indicators

30. I was unable to obtain sufficient appropriate evidence for the reported achievements listed in the table below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator number	Indicator	Target
SDI 12.1	Percentage response on CHDM support request received	100% response on CHDM support request received (facility management)
SDI 13	% compliance of drinking water with SANS 241 monitored	% compliance of waste water in accordance with R991 and section 39 of National Water Act 36 of 1998 monitored
SDI 14	% compliance of drinking water with SANS 241	% compliance of drinking water with SANS 241 monitored

KPA3: Local economic development

Usefulness

Indicators were not well defined:

31. The source information, evidence and method of calculation for the achievement of the planned indicators in the table below were not clearly defined:

Indicator No	Indicators	Target
LED 3	Number of Agricultural programmes implemented	1 Poverty Alleviation Agricultural Programme Implemented (1.Piggery 2.Poultry) by 30 June 2018
LED 3.1	Number of Agricultural programmes implemented	1 livestock improvement programme implemented (1.Innocation and dosing 2.Feeding support as per request received) in 6 LM's by 30 June 2018
LED 3.2	Number of Agricultural	1 infrastructure development project

	programmes implemented	implemented (1. Custom feeding facility 2. Shearing shed) by 30 June 2018
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Reliability

32. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator number	Indicator	Target	Actual reported performance	Audited result
LED 3.1	Number of Agricultural programmes implemented	1 livestock improvement programme implemented (1. Innoculation and dosing 2. Feeding support as per request received) in 6 LM's by 30 June 2018	1. Target Achieved: Programme is being implemented on the LM'S with CHDM. 2. Target Achieved: 1000bags of complete Ruminant Feed was delivered to all custom feeding facilities	Zero livestock improvement programme implemented
LED 3.2	Number of Agricultural programmes implemented	1 infrastructure development project implemented (1. Custom feeding facility 2. Shearing shed) by 30 June 2018	Target Not Achieved: construction has not commenced at Inxuba Yethemba 2. Target achieved: Tshatshu shearing shed has been completed and the Contractor handed over the completed structure to CHDM, the shed will be handed over to the Tshatshu community on the 18 th July 2018 (Mandela Day)	Two infrastructure development projects implemented
LED 3.4	Number of Agricultural programmes implemented	3 irrigation schemes supported as per SLA with CHDA (Ncorha, Qamata & Shiloh Irrigation Schemes) by 30 June 2018	Target Achieved: 3 Irrigation schemes were supported through CHDA 1. Ncora 2. Qamata 3. Shiloh Irrigation scheme	One irrigation schemes supported as per SLA with CHDA by 30 June 2018
LED 4	Number of SMME / Business programmes Implemented	3 SMME programmes implemented (1. Enterprise support. 2. Incubation support, 3. Industrial support) by 30 June 2018	Target not Achieved 1. Enterprise support: 32 enterprises supported. 2. Incubation support; (1 training conducted	Zero SMME programmes implemented by 30 June 2018

			and 1 incubation support done.) 3. Industrial support: (2 small industrialists supported)	
LED 5	Percentage budget spent on local business benefiting through Preferential Procurement regulation	30% of budget spent on local businesses per preferential procurement monitored by 30 June 2018	Target Achieved	Not achieved

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. Refer to the annual performance report on pages x to x and x to x for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 26 to 32 of this report.

Adjustment of material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2 and KPA 3. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

36. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

37. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

38. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. A material misstatement of non-current assets identified by the auditors in the submitted consolidated and separate financial statements was subsequently corrected, but the

uncorrected material misstatements and supporting records that could not be provided resulted in the consolidated and separate financial statements receiving a qualified audit opinion.

Expenditure management

39. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
40. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R657 381, as disclosed in note 47 to the consolidated and separate financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of repairs and maintenance and general expenses in the roadworks vote of the municipality.
41. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations. Irregular expenditure amounting to R31,9 million and R25,7 million was incurred on the eliminating of rural sanitation backlogs in Intsika Yethu and Engcobo projects, respectively.

Revenue management

42. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
43. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
44. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

45. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Consequences management

46. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
47. Irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
48. Allegations of financial misconduct against a senior manager was not tabled before the council, as required by regulation 5(2) of the disciplinary regulations for senior managers.

Strategic planning and performance

49. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, measurement and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Human resource management

50. The municipal manager was appointed without the post have been advertised, as required by section 54A(4)(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and regulation 10(2) on the appointment and conditions of employment of senior managers.
51. Appropriate systems and procedures to monitor, measure and evaluate the performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA.

Conditional grants

52. Performance in respect of programmes funded by the water services infrastructure, municipal infrastructure and regional bulk infrastructure grants was not evaluated, as required by section 12(5) of DoRA.

Procurement and contract management

53. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as the required supporting documentation could not be provided for audit purposes. Similar limitations were also reported in the prior year.
54. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
55. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
56. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
57. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the prior year.
58. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Other information

59. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.
60. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
61. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
62. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

63. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- There was insufficient oversight from leadership to ensure consistent implementation and monitoring of controls over financial, performance information and compliance with legislation. This was mainly due to a lack of capacity and accountability as well as inadequate communication between departments within the municipality. The inadequate performance information reporting prevented the municipality from adequately monitoring the achievement of its objectives.
 - Consequence management was not implemented against officials who were responsible for incurring irregular and fruitless and wasteful expenditure.
 - The municipality did not have a proper system of records management for the financial environment as a whole as material misstatements were identified, resulting in a qualified audit opinion. In addition, inadequate integration between the budget and treasury office and other departments within the municipality also contributed to material misstatements identified during the audit process.
 - The supporting information was not maintained for performance reporting. There was a lack of information relating to the collection, collation, verification, storing and reporting of actual performance information and the setting of performance targets. This was due to the municipality not having approved standard operating procedures to ensure that all

documentation is properly maintained for performance management and not preparing complete, accurate and reliable monthly and quarterly performance reports. As a result, the municipality did not identify errors timeously, resulting in material misstatements not corrected.

- The municipality did not have adequate systems to monitor compliance with all applicable legislation, and as a result, non-compliance with legislation was not prevented. There was inadequate supervision, monitoring and consequence management in respect of management of the operations of the municipality.
- The reporting with recommendations provided by the internal audit unit was not implemented timeously and adequately by management to address or reduce findings raised through the external audit process. In addition, although the audit committee reviews the municipality's performance management system on a quarterly basis, the reviews were not adequate as they did not have a positive impact on the improvement in internal controls, as material findings were still identified through the audit process.
- The fraud prevention plan was last reviewed and updated during May 2015 and therefore controls were not designed and implemented timeously to mitigate risks that exist over financial, service delivery and compliance processes for the year under review.

Auditor-General

East London

13 December 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected key performance areas and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chris Hani District Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
 - obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.